

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER	:	Ch. Muhammad Khurshid
DIRECTORS	:	Ch. Rahman Bakhsh Mrs. Salma Aziz Mr. Kamran Ilyas Mr. Azhar Khurshid Chaudhry Ms. Kiran A. Chaudhry Mr. Muhammad Ali Chaudhry
CHIEF FINANCIAL OFFICER	:	Mr. Abid Murtaza
COMPANY SECRETARY	:	Mr. Abid Murtaza
AUDITORS	:	M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Lahore.
AUDIT COMMITTEE	:	Mr. Kamran Ilyas Chairman Mr. Azhar Khurshid Chaudhry Member Mrs. Salma Aziz Member
BANKERS	:	National Bank of Pakistan RBS (The Royal Bank of Scotland) Al Baraka Islamic Bank Faysal Bank Limited Orix Leasing Pakistan Limited Bank Alfalah Limited First National Bank Modaraba The Bank of Punjab Bankislami Pakistan Limited
SHARE REGISTRAR	:	Corplink (Pvt.) Ltd.
LEGAL ADVISORS	:	Mr. Shaukat Haroon (Advocate) Barrister Salman Rahim (Advocate High Court)
REGISTERED OFFICE	:	314-Upper Mall, Lahore.
MILLS	:	1.5 Kilometer Habibabad, Chunian Road, Tehsil Chunian, District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on Saturday 30 October 2010 at 12:00 p.m. at the Registered Office of the Company i.e. 314 Upper Mall, Lahore to transact the following business.

1. To confirm the minutes of the last Meeting.
2. To receive and adopt the audited accounts of the Company for the year ended 30 June 2010 and reports of the Directors' and Auditors' thereon.
3. To appoint auditors and to fix their remuneration for the year ending 30 June 2011. The auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Lahore retire and being eligible, offer themselves for reappointment.
4. To approve Final Cash Dividend @ 10 % as recommended by the Board of Directors.
5. To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

(ABID MURTAZA)
Company Secretary

Lahore: 08 October 2010.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 24 October 2010 to 30 October 2010 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. A proxy form duly signed and stamped must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
3. The account holders of CDC are requested to bring their original CNIC/ Passport for the purpose of identification at the meeting.
4. Shareholders are requested to immediately notify the Company, any changes in address.

DIRECTORS' REPORT

It is my pleasure to present the Directors' Report and the audited accounts for the financial year ended June 30, 2010 alongwith the Auditors' Report.

Performance Review

By the grace of Allah, (s,w,t), the Company operations during the year under review resulted in significant overall improvement in all financial and other parameters. The Company earned a gross profit of Rs.420.741 (M) as against Rs.123.021 (M) (s.p.l.y), operating profit of Rs.385.690 (M) as against Rs.99.728 (M) (s.p.l.y) and profit after taxation of Rs.173.768 (M) as against loss of Rs.15.047 (M) (s.p.l.y). The major reasons behind these improvements were depreciation of Rupee and U.S. Dollar and increase in cotton prices to unprecedented heights in Pakistan and elsewhere. Another major contributing factor was the special effort by the marketing department, where combed and slub yarns were added to the production list. The Captive Power House ensured regular supply of energy and minimized losses for breakdowns. The initiatives at the mill in upgrading overall yarn standards as also overall improvement in all departments were responsible for achieving good yarn prices. In view of high quality of yarn for use by the air-jet industry offering better prices, the Company continued its policy of local sales. The overall backup support by the head office executives and staff were also major factors in achieving these goals.

The net result of the above efforts was a major improvement in the liquidity situation of the Company as reflected in the current ratio of 1:1.80 and debt equity ratio of 29:71. In view of this, the Company prepaid long-term debt of Rs.64.627 (M), which was not due. The summarized financial results are given below and details may be perused in other sections of this report:-

The financial results, in summarized form, are given below:-

	2010	2009
	(Rupees in Million)	
Sales	2,232.455	1,542.141
Cost of Sales	1,811.714	1,419.120
Gross Profit	420.741	123.021
Administrative Expenses	18.029	15.303
Distribution Cost	17.022	7.990
	35.051	23.293
Operating Profit	385.690	99.728
Other Operating Expenses	20.542	5.882
	365.148	93.846
Other Operating Income	10.352	4.583
	375.500	98.429
Financial Cost	98.324	112.166
Profit / (Loss) before Taxation	277.176	(13.737)
Taxation	103.408	1.310
Profit / (Loss) after Taxation	173.768	(15.047)
Earning / (Loss) per share (Rupees)	4.83	(0.42)

Changes in Accounting Policies

There have been no changes in the accounting policies of the Company during the year.

Annual Report

Future Prospects

Substantial gains during the year have placed the Company in a better financial position than many companies. Accordingly we expect reduction in financial charges and though it is too early to predict cotton position in Pakistan, India, China and the USA, the indicators are positive. However, abnormally high prices of cotton may affect our profitability in the year 2010-11, unless yarn and fabric prices respond positively to the changed scenario. Also if sales tax is imposed on cotton and yarn, a further liquidity crunch, depressing ability of the mills to procure cotton, will take place which may depress cotton and yarn prices causing major losses to the growers and spinners.

Having procured cotton for the first two quarters of the year, we are positive about good profitability in these periods.

Corporate and Financial Reporting Framework

As required by the code of corporate governance, Directors are pleased to report that:

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Accounting policies have been, consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control, which is in place, is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- There are no doubts about the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance as detailed in the listing regulations.
- Outstanding taxes and other Government levies are given in related note(s) to the audited accounts.
- During the last financial year, four (4) meetings of the Board of Directors were held.
- Key operations and financial data for last seven (7) years is annexed.
- During the year the Directors acquired 1,414,137 shares and transferred 1,803,333 shares of the Company, details of which are reflected in pattern of shares holdings.

Pattern of Shareholding

A statement reflecting the pattern of shareholding is attached to the Annual report.

Acknowledgements

The Directors take this opportunity to thank the Company's Bankers, particularly National Bank of Pakistan, Al Baraka Islamic Bank, The Royal Bank of Scotland (RBS), Bank Alfalah Limited, Faysal Bank Limited, First National Bank Modaraba, Orix Leasing Pakistan Limited, The Bank of Punjab, Bankislami Pakistan Limited, Trust Investment Bank Limited, Security Leasing Corporation Limited and other financial Institutions for their confidence in the Company and strong financial support. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders of the Company. The Directors would also like to particularly mention the dedication and devotion displayed by the employees while performing their duties during the period and hope that the same spirit will prevail in the future as well.

For and on behalf of the Board

Lahore: 08 October 2010

CH. MUHAMMAD KHURSHID
(Chief Executive Officer)

Financial Summary

	2010	2009	2008	2007	2006	2005	2004	
BALANCE SHEET								
(Rs. in thousand)								
Paid up Share Capital	360,000	360,000	360,000	300,000	245,177	245,177	183,883	
Unappropriated Profit/(Loss)	110,821	(69,104)	(61,475)	(34,962)	(5,715)	2,430	(50,811)	
Revaluation Surplus	173,150	89,422	96,544	117,693	158,071	189,623	199,785	
Total Equity & Revaluation surplus	643,971	380,318	395,067	382,729	397,533	437,230	332,857	
Long Term Liabilities	195,436	219,139	243,794	145,520	186,600	246,564	53,653	
Liabilities against assets subject to finance lease	72,986	136,744	164,481	157,132	128,312	50,227	–	
Deferred Liabilities	163,777	23,716	26,662	46,331	42,363	22,035	45,582	
Long Term Advances	79	53	65	46	66	53	152	
Current Liabilities	207,819	420,836	339,082	308,427	293,206	236,325	137,526	
	1,284,068	1,180,806	1,169,153	1,040,187	1,048,081	992,434	569,770	
Represented by:								
Fixed Assets	898,508	821,228	882,840	768,566	723,221	374,220	398,292	
Capital work in progress	8,631	–	–	1,340	51,830	377,966	8,820	
Other Assets	3,673	3,682	3,682	7,668	7,648	3,725	1,469	
Current Assets	373,256	355,896	282,631	262,613	265,382	236,523	161,190	
	1,284,068	1,180,806	1,169,153	1,040,187	1,048,081	992,434	569,770	
PROFIT AND LOSS								
Sales	2,232,455	1,542,141	1,302,115	1,198,893	973,118	601,077	821,098	
Cost of Sales	1,811,714	1,419,120	1,261,697	1,152,020	920,847	541,298	779,401	
Gross Profit	420,741	123,021	40,418	46,873	52,270	59,779	41,697	
Operating Profit	385,690	99,728	19,039	31,558	38,348	37,990	30,850	
Profit / (Loss) Before Taxation	277,176	(13,737)	(54,187)	(31,191)	(6,332)	21,444	182,546	
Profit / (Loss) After Taxation	173,768	(15,047)	(34,702)	(39,675)	(15,313)	37,998	166,777	
Earning / (Loss) per share	4.83	(0.42)	(1.15)	(1.54)	(0.59)	1.72	10.13	
Dividend %	10	–	–	–	–	5.00	–	
PERCENTAGE TO SALES								
Gross Profit	% age	18.85	7.98	3.10	3.91	5.37	9.95	5.08
Profit/(Loss) Before Taxation	% age	12.42	(0.89)	(4.17)	(2.60)	(0.65)	3.57	22.23
Net Profit/(Loss) After Taxation	% age	7.78	(0.98)	(2.67)	(3.31)	(1.57)	6.32	20.31
Admin & Distribution Expenses	% age	1.57	1.51	1.33	1.28	1.63	3.74	1.76

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulation of Karachi Stock Exchange and Clause 49 (Chapter VIII) of the Listing Regulation of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors. At present the Board includes four (4) independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. The board has developed a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.
5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
6. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings along-with agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
7. The Directors report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
8. The CEO and CFO duly endorsed the financial statements of the Company before approval by the Board.
9. The Company has complied with all the corporate and financial reporting requirements of the Code.
10. The Board has formed an audit committee comprising three members, of whom all are non-executive directors including the Chairman of the committee.

11. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
12. The Board has set-up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.
13. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company.
14. The statutory auditors or the persons associated with them have not been appointed to provide the other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
15. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

CH. MUHAMMAD KHURSHID
(Chief Executive Officer)

Lahore : 08 October 2010.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **RESHAM TEXTILE INDUSTRIES LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-regulation (xiii) of Listing Regulation No. 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2010.

(ERNST & YOUNG FORD RHODES SIDAT HYDER)
CHARTERED ACCOUNTANTS

LAHORE : 08 October 2010.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **RESHAM TEXTILE INDUSTRIES LIMITED** as at **30 June 2010** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.2 of these financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended: and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

(ERNST & YOUNG FORD RHODES SIDAT HYDER)
CHARTERED ACCOUNTANTS

Engagement Partner: Naseem Akbar

LAHORE : 08 October 2010.

BALANCE SHEET AS AT

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 36,000,000 (2009: 36,000,000) ordinary shares of Rupees 10 each		<u>360,000,000</u>	<u>360,000,000</u>
Issued, subscribed and paid up share capital	5	360,000,000	360,000,000
Unappropriated profit / (accumulated loss)		<u>110,820,632</u>	<u>(69,104,217)</u>
Total equity		470,820,632	290,895,783
Surplus on revaluation of fixed assets	6	173,149,759	89,422,167
Non-current liabilities			
Long term financing	7	195,436,000	219,138,500
Liabilities against assets subject to finance lease	8	72,985,896	136,743,679
Long term deposits	9	79,438	53,438
Deferred liabilities	10	163,776,897	23,715,676
		432,278,231	379,651,293
Current liabilities			
Trade and other payables	11	82,468,175	62,047,129
Accrued mark-up on financing	12	14,524,702	45,445,717
Short term borrowings	13	48,472,040	242,658,885
Current portion of long term liabilities	14	62,354,708	70,684,669
		207,819,625	420,836,400
Total liabilities		<u>640,097,856</u>	<u>800,487,693</u>
TOTAL EQUITY AND LIABILITIES		<u>1,284,068,247</u>	<u>1,180,805,643</u>

CONTINGENCIES AND COMMITMENTS 15

The annexed notes from 1 to 41 form an integral part of these financial statements.

(Chief Executive Officer)

30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	16	907,139,942	821,227,511
Long term deposits		3,672,560	3,682,560
		910,812,502	824,910,071
Current assets			
Stores and spare parts	17	21,780,877	18,615,578
Stock in trade	18	249,701,683	288,971,420
Trade debts	19	45,371,493	23,659,303
Advances	20	6,539,696	898,918
Trade deposits and short term prepayments	21	2,438,271	2,070,473
Other receivables		120,660	7,122
Taxation - net		6,924,907	6,692,861
Tax refunds due from the Government	22	12,939,990	8,457,089
Cash and bank balances	23	27,438,168	5,622,808
		373,255,745	354,995,572
Assets held for sale	24	-	900,000
		373,255,745	355,895,572
TOTAL ASSETS		1,284,068,247	1,180,805,643

(Director)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 Rupees	2009 Rupees
Sales	25	2,232,454,945	1,542,140,711
Cost of sales	26	<u>1,811,714,288</u>	<u>1,419,120,092</u>
Gross profit		420,740,657	123,020,619
Operating expenses:			
Distribution cost	27	<u>17,021,717</u>	<u>7,990,104</u>
Administrative expenses	28	<u>18,028,517</u>	<u>15,302,685</u>
		<u>35,050,234</u>	<u>23,292,789</u>
Operating profit		385,690,423	99,727,830
Other operating expenses	29	<u>20,542,579</u>	<u>5,881,555</u>
		365,147,844	93,846,275
Other operating income	30	<u>10,352,046</u>	<u>4,582,846</u>
		375,499,890	98,429,121
Finance cost	31	<u>98,323,938</u>	<u>112,166,364</u>
Profit / (loss) before taxation		277,175,952	(13,737,243)
Taxation	32	<u>103,408,294</u>	<u>1,309,946</u>
Profit / (loss) for the year		<u>173,767,658</u>	<u>(15,047,189)</u>
Earnings / (loss) per share - basic and diluted	33	<u>4.83</u>	<u>(0.42)</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
Profit / (loss) for the year	173,767,658	(15,047,189)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	<u>173,767,658</u>	<u>(15,047,189)</u>

Surplus arising on 'revaluation of fixed assets' is presented under a separate head below equity as 'surplus on revaluation of assets' in accordance with the requirements specified by the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 41 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	277,175,952	(13,737,243)
Adjustment for:		
Depreciation	65,999,250	72,095,154
Gain on disposal of property, plant and equipment	(6,715,744)	-
(Gain) / loss on sale of assets held for sale	(125,000)	2,081,706
Provision for gratuity	5,680,775	3,287,933
Trade debts written off	-	119,624
Advances and other receivables written off	-	883,992
Exchange (gain) / loss	(920,874)	1,020,917
Impairment loss on assets held for sale	-	1,894,940
Creditors written back	(44,842)	(510,406)
Provision against Workers' Profit Participation Fund	14,885,927	-
Finance cost	98,323,938	112,166,364
	177,083,430	193,040,224
Profit before working capital changes	454,259,382	179,302,981
Effect on cash flows due to working capital changes (Increase) / decrease in current assets		
Stores and spare parts	(3,165,299)	(8,247,586)
Stock in trade	39,269,737	(62,649,727)
Trade debts	(20,791,316)	(13,905,864)
Advances	(5,640,778)	2,611,304
Trade deposits and short term prepayments	(367,798)	(20,493)
Tax refunds due from the Government	(4,482,901)	481,665
Other receivables	(113,538)	5,371,830
Increase / (decrease) in current liabilities		
Trade and other payables	5,579,961	(66,889,551)
	10,288,068	(143,248,422)
Cash generated from operations	464,547,450	36,054,559
Finance cost paid	(129,244,953)	(72,155,075)
Income tax paid	(11,882,685)	(3,307,692)
Gratuity paid	(1,628,894)	(4,580,544)
Net cash from / (used in) operating activities	321,790,918	(43,988,752)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred on property, plant and equipment	(20,014,909)	(12,017,749)
Proceeds from disposal of property, plant and equipment	8,955,440	-
Proceeds from assets held for sale	1,025,000	1,961,269
Decrease in long term deposits	10,000	-
Net cash used in investing activities	(10,024,469)	(10,056,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing – net	(27,525,000)	(21,655,930)
Repayment of liabilities under finance lease	(68,265,244)	(11,390,457)
(Decrease) / increase in short term borrowings – net	(194,186,845)	88,775,788
Increase / (decrease) in long term deposits	26,000	(12,000)
Net cash (used in) / from financing activities	(289,951,089)	55,717,401
Net increase in cash and cash equivalents	21,815,360	1,672,169
Cash and cash equivalents at the beginning of the year	5,622,808	3,950,639
Cash and cash equivalents at the end of the year	27,438,168	5,622,808

The annexed notes from 1 to 41 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Share capital	Un-appropriated profit / (accumulated loss)	Total equity
	----- Rupees -----		
Balance as on 01 July 2008	360,000,000	(61,475,679)	298,524,321
Total comprehensive loss for the year	-	(15,047,189)	(15,047,189)
Transferred from surplus on revaluation of fixed assets			
- incremental depreciation net of deferred tax	-	7,418,651	7,418,651
Balance as on 30 June 2009	360,000,000	(69,104,217)	290,895,783
Total comprehensive income for the year	-	173,767,658	173,767,658
Transferred from surplus on revaluation of fixed assets			
- incremental depreciation net of deferred tax	-	6,157,191	6,157,191
Balance as on 30 June 2010	<u>360,000,000</u>	<u>110,820,632</u>	<u>470,820,632</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

(Chief Executive Officer)

(Director)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. THE COMPANY AND ITS OPERATIONS

Resham Textile Industries Limited (the Company) is a public limited company incorporated in Pakistan on 06 June 1990 under the Companies Ordinance, 1984 and quoted on the Lahore and Karachi stock exchanges. The registered office of the Company is situated at 314- Upper Mall, Lahore. The Company is principally engaged in the business of manufacturing and selling of yarn.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Changes in accounting policy and disclosures

The revised IAS 1: 'Presentation of Financial Statements' was issued in September 2007 and became effective for financial years beginning on or after 01 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. Accordingly, the Company has added a separate statement of comprehensive income in these financial statements. Comparative information has also been represented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of the Company.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 32 Financial Instruments: Presentation - Classification of Right Issues (Amendment)	1-Feb-2010
IAS 24 Related Party Disclosures (Revised)	1-Jan-2011
IFRS 2 Share-based Payment: Amendments relating to Group Cash-settled Share-based Payment Transactions	1-Jan-2010
IFRIC 14 IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	1-Jan-2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1-Jul-2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits at present value, certain fixed assets measured at revalued amounts and financial instruments carried at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Employee benefits (Note 4.6);
- Taxation (Note 4.9);
- Useful lives and residual value of the assets (Note 4.11)

4.2 Surplus on revaluation of fixed assets

This represents the surplus arising on the revaluation of operating fixed assets of the Company. Revaluation surplus is credited to the "surplus on revaluation of fixed assets" except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss and in which case the increase is recognized in profit and loss account. An annual transfer from the surplus on revaluation of fixed assets (net of deferred tax) to un-appropriated profit is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

This surplus is not free for setting-off or reducing any deficit of the Company. However, it can only be utilized:

- i) to the extent actually realized on disposal of the assets which are revalued;
- ii) to the extent of incremental depreciation arising out of revaluation of fixed assets; or
- iii) setting-off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Company.

4.3 Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the received less directly attributable transaction costs. After initial recognition borrowings are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the amortization process.

4.4 Liabilities against assets subject to finance lease

Leases, where the Company has substantially all the risks and rewards of ownership of assets, are classified as finance leases. At inception, finance leases are recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in Note 8. The liabilities are classified as current and non-current depending upon the timing of the payment. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

4.5 Ijarah assets

The Company recognizes ijarah payments under an ijarah agreement as an expense in the profit and loss account on a straight line basis over the ijarah term.

4.6 Employee Benefits

The Company operates an unfunded gratuity scheme for its permanent employees. The latest valuation was carried out as at 30 June 2010 using the projected unit credit method. Actuarial gains and losses on defined benefit plans are recognized on the basis corridor approach as per IAS 19. The future contribution rates of this plan include allowances for deficit and surplus. Following significant assumptions are used for valuation of this scheme:

- Expected rate of increase in salary level is 11 % (2009: 11 %) per annum.
- Discount rate of 12% (2009: 12%) per annum.

Actuarial gains / losses in excess of corridor limit as of the balance sheet date are recognized over the remaining service lives of employees.

4.7 Provisions

Provisions are recognized in the balance sheet when the Company has legal or constructive obligation as a result of past events, and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.8 Dividend

Dividend is recognized as a liability in the period in which it is declared.

4.9 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates after taking into account rebates and tax credits, if any, expected to apply to the profit for the year, if enacted or minimum tax at the rate of 0.5 percent of the turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for by using the liability method on all timing differences between carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax asset is also recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future

taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax is charged to / credited in the profit and loss account except in case of items credited or charged to equity in which case it is included in equity.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

4.10 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

4.11 Property, plant and equipment

4.11.1 Operating fixed assets and depreciation

a) Cost

Operating fixed assets except land, building and plant & machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing the part of such assets when that cost is incurred if the recognition criteria are met. Building and plant & machinery are stated at revalued amount less accumulated depreciation, while land is stated at revalued amount. Capital work-in-progress is stated at cost.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

b) Depreciation

Depreciation is charged to profit and loss account on reducing balance method to write off the cost of operating fixed assets over their expected useful lives at the rates mentioned in Note 16.

Depreciation on assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

c) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit and loss account in the year the asset is derecognized.

4.11.2 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets. Assets so acquired are depreciated over their expected useful lives at the rates mentioned in Note 16. Depreciation of leased assets is charged to current year's profit and loss account.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

4.12 Stores and spare parts

These are valued at lower of moving average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for slow moving items.

4.13 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	-	First in first out (FIFO)
Raw material in transit	-	Invoice value plus other charges paid thereon
Work in process	-	Average manufacturing cost
Finished goods	-	Average manufacturing cost
Waste	-	Net realizable value

Average manufacturing cost in relation to work in process and finished goods signifies cost including a portion of related direct overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make such sale.

4.14 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.16 Financial instruments

Financial instruments comprise long term deposits, trade debts, advances, cash and bank balances, long term financings, short term borrowings and trade and other payables.

Financial assets and liabilities are recognized at the time the Company becomes a party to contractual provisions of the instruments.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

4.17 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss account.

4.18 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. The following specific criteria must be met before revenue is recognized:

- a) Sale of goods
Revenue from sales is recognized on dispatch of goods to customers. Export goods are considered dispatched when shipped on board.
- b) Interest income
Profit on bank deposits is recognized using effective interest method.

4.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred.

4.20 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

4.21 Related party transactions

Transactions and contracts with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method. Parties are said to be related if they are able to influence the operating and financial decision of the company and vice versa.

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL	Note	2010 Rupees	2009 Rupees
2010 2009 <u>(Number of shares)</u>			
<u>36,000,000</u>	<u>36,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>360,000,000</u> <u>360,000,000</u>
6. SURPLUS ON REVALUATION OF FIXED ASSETS			
Surplus on revaluation of fixed assets as at 01 July		122,515,437	135,720,528
Surplus on revalued assets sold		(4,970,950)	(2,449,851)
Additions during the year		139,107,417	-
Surplus relating to incremental depreciation charge on related assets - transferred to unappropriated profit		<u>(9,232,002)</u>	<u>(10,755,240)</u>
Surplus on revaluation of fixed assets as at 30 June		247,419,902	122,515,437
Less: Related deferred tax liability on:			
- Balance as at July 01		(33,093,270)	(39,176,042)
- Decrease / (increase) due to change in proportionate local sales		(2,435,446)	1,986,168
- Additional surplus arised during the year		(43,471,863)	-
- Fixed assets disposed off during the year		1,655,625	760,015
- Incremental depreciation charged during the year		3,074,811	3,336,589
		<u>(74,270,143)</u>	<u>(33,093,270)</u>
		<u>173,149,759</u>	<u>89,422,167</u>

This represents surplus resulting from revaluation of land, building and plant & machinery carried out on 30 September 1997, 30 September 2004 and 30 June 2010 by independent valuers. The revaluation on 30 June 2010 was carried out by M/s. Harvester Services (Pvt.) Limited on the basis of "depreciated replacement value" resulting in an increase by Rupees 136,707,417 in the value of said fixed assets.

7. LONG TERM FINANCING

From banking companies:

- Secured

National Bank of Pakistan	(7.1)	130,032,500	141,057,500
Orix Investment Bank Pakistan Limited	(7.2)	13,500,000	30,000,000
Faysal Bank Limited	(7.3)	<u>70,538,000</u>	<u>70,538,000</u>
		214,070,500	241,595,500
Less: Current portion taken as current liability	(14)	<u>18,634,500</u>	<u>22,457,000</u>
		<u>195,436,000</u>	<u>219,138,500</u>

- 7.1 This loan is obtained to undertake Balancing, Modernization and Replacement (BMR) and expansion of the production facilities against the sanctioned limit of Rupees 152 million (2009: Rupees 152 million). The loan is repayable in five years, in quarterly installments starting from 01 October 2009. The rate of mark-up is 3 months KIBOR plus 1.5% per annum with no floor and cap (2009: 6 months KIBOR plus 2.5%). The loan is secured by way of first exclusive charge on entire fixed assets of the Company including land, building, plant and machinery and personal guarantees of all directors of the Company.

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7.2 The facility is obtained for expansion of production facilities against the sanctioned limit of Rupees 30 Million (2009: Rupees 30 Million). The loan is repayable in five years, including three grace years, in 12 quarterly installments starting from 20 September 2009. The rate of mark-up is 6 month KIBOR plus 3% with no floor and no cap (2009: 6 month KIBOR plus 3%). For first three months the security of the loans was ranking hypothecation charge over all the present and future fixed assets (excluding land and building) inclusive of 25% margin, which is to be maintained at all times. The ranking hypothecation charge over fixed assets was upgraded to first pari passu charge with in 90 days from the date of disbursement. The loan is further secured by demand promissory note amounting to Rupees 49.592 Million duly signed by directors of the Company.

7.3 The facility is obtained for purchase of gas generators against the sanctioned limit of Rupees 70.538 Million (2009: Rupees 70.538 Million). The loan is repayable in five years, including two grace years, in 8 equal half yearly principal installments starting from 26 October 2010. The rate of mark-up is 7 % per annum (5% State Bank of Pakistan rate plus 2% Faysal bank spread). The security of the loans ranking fixed assets of the Company amounting Rupees 92 Million and first pari passu charge on current asset amounting to Rupees 134 Million. The loan is further secured by personal guarantee of the directors.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2010 Rupees	2009 Rupees
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		57,282,996	85,696,767
Later than one year and not later than five years		<u>83,207,742</u>	<u>175,287,677</u>
		140,490,738	260,984,444
Less: Future financial charges		<u>(23,784,634)</u>	<u>(76,013,096)</u>
Present value of minimum lease payments	(8.1)	116,706,104	184,971,348
Less: Current portion taken as current liability	(14)	<u>(43,720,208)</u>	<u>(48,227,669)</u>
		<u><u>72,985,896</u></u>	<u><u>136,743,679</u></u>

8.1 Break up of present value of minimum lease payments

Within one year		43,720,208	48,227,669
Within two to five years		<u>72,985,896</u>	<u>136,743,679</u>
		<u><u>116,706,104</u></u>	<u><u>184,971,348</u></u>

8.2 The value of the minimum lease payments has been discounted at an implicit interest rate ranging from 6 month KIBOR plus 2.50% to 4.00% (2009: 6 month KIBOR plus 2.50% to 4.00%) per annum. The lease liability and interest charge are repriced after every six months. The balance rentals are payable in quarterly installments and in case of default of any payment, an additional charge at the rate of 1 to 2 percent per annum shall be paid. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of lease agreement.

8.3 The Company has option to purchase the assets at the end of lease term.

9. LONG TERM DEPOSITS

These represent deposits taken from employees against future sale of vehicles.

10. DEFERRED LIABILITIES

Deferred taxation	(10.1)	155,714,175	19,704,835
Post employment benefits- unfunded - Gratuity	(10.2)	<u>8,062,722</u>	<u>4,010,841</u>
		<u><u>163,776,897</u></u>	<u><u>23,715,676</u></u>

10.1 Deferred taxation	Note	2010 Rupees	2009 Rupees
Taxable timing differences			
Surplus on revaluation of fixed assets		74,270,143	33,093,269
Accelerated tax depreciation		88,481,343	83,526,410
Assets subject to finance lease		69,100,182	71,514,955
		<u>231,851,668</u>	<u>188,134,634</u>
Deductible timing differences			
Gratuity		(2,685,370)	(1,244,280)
Liabilities against assets subject to finance lease		(38,870,135)	(57,383,511)
Unused tax losses		(34,581,988)	(109,802,008)
		<u>(76,137,493)</u>	<u>(168,429,799)</u>
		<u>155,714,175</u>	<u>19,704,835</u>
10.2 Post employment benefits- unfunded - Gratuity			
These are composed of:			
Present value of defined benefit obligation		9,612,943	4,381,066
Unrecognized actuarial losses		(1,550,221)	(370,225)
Liability recognized in the balance sheet		<u>8,062,722</u>	<u>4,010,841</u>
10.3 Movement in net liability			
Liability at the beginning of the year		4,010,841	5,303,452
Charge for the year	(10.4)	<u>5,680,775</u>	<u>3,287,933</u>
		9,691,616	8,591,385
Paid during the year		(1,628,894)	(4,580,544)
Liability at the end of the year		<u>8,062,722</u>	<u>4,010,841</u>
10.4 Charge for the year			
Current service cost		5,155,047	2,607,092
Interest cost		525,728	680,841
Charge for the year		<u>5,680,775</u>	<u>3,287,933</u>
10.5 The charge for the year has been allocated as follows:			
Cost of sales	(26)	4,678,031	2,729,422
Distribution cost	(27)	438,644	185,230
Administrative expenses	(28)	564,100	373,281
		<u>5,680,775</u>	<u>3,287,933</u>
11. TRADE AND OTHER PAYABLES			
Creditors		9,695,687	14,340,880
Morabaha finance	(11.1)	10,000,000	10,000,000
Accrued liabilities		28,717,741	20,063,415
Advances from customers	(11.2)	7,181,478	1,774,285
Security deposits		826,665	849,665
Ijarah rental payable		4,300,447	13,759,929
Unclaimed WPPF		783,523	783,523
Workers' Profit Participation Fund	(11.3)	14,885,927	-
Workers' Welfare Fund		5,656,652	-
Unclaimed dividend		320,055	320,055
Others		100,000	155,377
		<u>82,468,175</u>	<u>62,047,129</u>

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11.1 This facility has been obtained against sanctioned limit of Rupees 10 million (2009: Rupees 10 million) to finance working capital requirements of the Company for purchase of raw material and is renewable quarterly. The rate of mark up is 3 months KIBOR plus 3.25% per annum (2009: 3 months KIBOR plus 3.25% per annum). This is secured against first pari passu charge on all current assets of the Company amounting to Rupees 134 million and personal guarantees of all the directors except employee directors of the Company.

11.2 These represent advances against sale of yarn and carry no mark-up.

11.3 Workers' Profit Participation Fund	Note	2010 Rupees	2009 Rupees
Balance at the beginning of the year		-	-
Charge for the year		14,880,927	-
		<u>14,880,927</u>	-
Less: payments made during the year		-	-
Closing balance		<u>14,880,927</u>	<u>-</u>

12. ACCRUED MARK-UP ON FINANCING

Long term financing	(12.1)	5,824,525	18,470,617
Short term borrowings & morabaha finance		4,956,571	12,446,137
Lease rental payable		3,743,606	14,528,963
		<u>14,524,702</u>	<u>45,445,717</u>

12.1 These include an amount of Rs. Nil (2009: Rs.2,274,596) payable to directors of the Company.

13. SHORT TERM BORROWINGS

From financial institutions:

Secured:

Cash finance (13.1) 48,461,201 237,380,180

Unsecured:

Bank overdrawn (13.2) 10,839 5,278,705

48,472,040 242,658,885

13.1 These facilities have been obtained against aggregate sanctioned limit of Rupees 725 million (2009: Rupees 725 million) to finance working capital requirements of the Company for purchase of raw material. The rates of mark up range between KIBOR plus 2% to KIBOR plus 4.25% per annum (2009: KIBOR plus 2% to KIBOR plus 4.25% per annum). These are secured against pledge of cotton bales, yarn bags, first pari passu charge on all current assets of the Company and personal guarantees of the directors of the Company.

13.2 This overdrawn balance is due to issuance of cheques near the balance sheet date. However, bank statement shows a favourable balance amounting to Rupees 815,160 (2009: Rupees 4,304,658).

14. CURRENT PORTION OF LONG TERM LIABILITIES

Long term financing	(7)	18,634,500	22,457,000
Liabilities against assets subject to finance lease	(8)	43,720,208	48,227,669
		<u>62,354,708</u>	<u>70,684,669</u>

15. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Claim of damages lodged by a creditor amounting to Rupees 987,298 (2009: Rupees 987,298) against violation of contract has not been acknowledged by the Company. The Company has also filed a counter suit for the recovery of claims, compensation and damages amounting to Rupees 3,721,012 (2009: Rupees 3,721,012) for violation of contracts. Therefore, no provision in this respect has been made in these financial statements as the management and the legal advisor are confident of a favourable outcome of the case.

- The assessment for the assessment years 2000-2001, 2001-2002 and 2002-2003 were finalized under section 62 of the repealed ordinance (Income Tax Ordinance, 1979). However, the department has filed appeal against the orders before the Income Tax Appellate Tribunal (ITAT), which is pending adjudication. Therefore, no provision in this respect is made in these financial statements as the management and the legal advisor are confident of a favourable outcome of the case.
- The bank guarantees aggregating to Rupees 39,868,000 (2009: Rupees 39,868,000) issued on behalf of the Company were outstanding on balance sheet date against which margins amounting to Rupees 1,467,615 (2009: Rupees 1,467,615) have been deposited with the respective banks.

Commitments:

- **Ijarah commitments**

The Company has entered into ijarah arrangement for plant & machinery with an Islamic Bank. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future Ijarah payments due under these arrangements, as at 30 June are as follows:

	Note	2010 Rupees	2009 Rupees
Within one year		10,587,684	10,584,479
After one year but not more than five years		<u>23,322,316</u>	<u>34,399,558</u>
		<u><u>33,910,000</u></u>	<u><u>44,984,037</u></u>

16. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	(16.1)	898,508,445	821,227,511
Capital work-in-progress-civil work		<u>8,631,497</u>	<u>-</u>
		<u><u>907,139,942</u></u>	<u><u>821,227,511</u></u>

16.2 Depreciation charge for the year has been allocated as follows:

	Note	2010 Rupees	2009 Rupees
Cost of sales	(26)	64,396,027	71,264,007
Administrative expenses	(28)	1,603,223	831,147
		<u>65,999,250</u>	<u>72,095,154</u>

16.3 Had there been no revaluation, the related figures of land, building and plant and machinery at 30 June would have been as follows:

PARTICULARS	BALANCE AS AT 30 JUNE 2010			BALANCE AS AT 30 JUNE 2009		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Owned assets:						
Free hold land	6,028,479	-	6,028,479	6,028,479	-	6,028,479
Building						
-Factory	128,702,352	64,742,113	63,960,239	128,702,352	57,635,420	71,066,932
-Residential	11,001,164	3,141,185	7,859,979	11,001,164	2,727,502	8,273,662
Plant and Machinery	664,958,202	328,500,577	336,457,625	670,000,783	335,635,070	334,365,713
	<u>810,690,197</u>	<u>396,383,875</u>	<u>414,306,322</u>	<u>815,732,778</u>	<u>395,997,992</u>	<u>419,734,786</u>

Assets subject to finance lease

Plant and Machinery	173,893,627	61,655,371	112,238,256	-	-
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16.4 Detail of the assets disposed off during the year having net book value exceeding Rupees 50,000 is as follows:

Description	Cost/ revalued amount	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Held for disposal						
Autoconer	900,000	-	900,000	1,025,000	Negotiation	Usama Traders, Lahore
Plant and Machinery						
Generators	9,500,000	3,087,119	6,412,881	8,000,000	Negotiation	Atlas Co. Lahore
Vehicles						
Suzuki Alto	250,000	15,417	234,583	320,000	Negotiation	Mr. Tariq Nazir
Mazda Van	800,000	651,935	148,065	385,000	Negotiation	Mr. Amjad Ali

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	Note	2010 Rupees	2009 Rupees
17. STORES AND SPARE PARTS			
Stores		992,750	1,285,238
Spares parts		20,759,027	17,301,230
Stores in transit		29,100	29,110
		<u>21,780,877</u>	<u>18,615,578</u>
18. STOCK IN TRADE			
Raw material		202,228,322	265,961,614
Work in process		11,084,974	10,389,966
Finished goods		32,424,264	11,094,734
Packing material		3,235,640	772,213
Waste		728,483	752,893
		<u>249,701,683</u>	<u>288,971,420</u>
19. TRADE DEBTS - considered good			
These represent unsecured trade debts against the local sales.			
20. ADVANCES - considered good			
Advances to suppliers		5,653,599	317,477
Advances against salary		886,097	581,441
		<u>6,539,696</u>	<u>898,918</u>
21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Bank guarantee margin		1,467,615	1,467,615
Prepayments		970,656	491,528
Letter of credit margin		-	111,330
		<u>2,438,271</u>	<u>2,070,473</u>
22. TAX REFUNDS DUE FROM THE GOVERNMENT			
This represents sales tax refundable.			
23. CASH AND BANK BALANCES			
Cash in hand		23,300	22,889
Balance with banks on:			
- Current accounts		726,975	5,599,919
- Deposit accounts	(23.1)	26,687,893	-
		<u>27,414,868</u>	<u>5,599,919</u>
		<u>27,438,168</u>	<u>5,622,808</u>

23.1 It carries profit at the rate ranging from 5% to 10.75% (2009: 4.75% to 5%) per annum.

		2010	2009
	Note	Rupees	Rupees
24. ASSETS HELD FOR SALE			
Carrying amount of assets	(24.1)	-	2,794,940
Less: Impairment loss		-	(1,894,940)
		<u>-</u>	<u>900,000</u>
24.1	The company disposed off these assets during the year.		
25. SALES			
Local		2,097,240,051	1,495,975,079
Export		97,672,754	21,819,474
Waste		37,542,140	24,346,158
		<u>2,232,454,945</u>	<u>1,542,140,711</u>
26. COST OF SALES			
Raw material consumed		1,462,263,799	1,086,537,043
Salaries, wages and benefits	(10.5)	107,632,256	85,433,107
Fuel and power		126,392,887	111,839,355
Packing material consumed		24,719,675	21,438,053
Stores and spares consumed		28,965,838	23,488,541
Ijarah rentals		10,350,087	9,252,906
Insurance		4,365,360	2,988,876
Repairs and maintenance		3,543,408	4,831,185
Depreciation	(16.3)	64,396,027	71,264,007
Others		1,085,079	1,330,248
		<u>1,833,714,416</u>	<u>1,418,403,321</u>
Add: Opening work in process		10,389,966	10,620,189
Less: Closing work in process		(11,084,974)	(10,389,966)
		<u>(695,008)</u>	<u>230,223</u>
Cost of goods manufactured		1,833,019,408	1,418,633,544
Add: Opening finished goods		11,847,627	12,860,845
Less: Closing finished goods		(33,152,747)	(12,374,297)
		<u>(21,305,120)</u>	<u>486,548</u>
Cost of sales		<u>1,811,714,288</u>	<u>1,419,120,092</u>
27. DISTRIBUTION COST			
Salaries and other benefits	(10.5)	2,236,966	1,454,497
Commission on sales		10,214,328	5,444,297
Freight and forwarding		3,691,260	946,675
Export development surcharge		234,497	54,972
Other expenses		644,666	89,663
		<u>17,021,717</u>	<u>7,990,104</u>

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28. ADMINISTRATIVE EXPENSES	Note	2010 Rupees	2009 Rupees
Directors' remuneration		3,881,120	3,719,200
Salaries and other benefits	(10.5)	6,042,944	4,544,061
Electricity, gas and water		478,039	319,320
Postage, telephone and telex		806,528	838,132
Rent, rates and taxes		913,218	449,447
Insurance		320,724	247,398
Advertisement		39,692	105,752
Traveling and conveyance		42,771	81,452
Auditors' remuneration	(28.1)	630,000	475,000
Legal and professional		460,800	546,432
Fee and subscription		351,535	825,815
Printing and stationery		243,201	186,960
Entertainment		468,886	376,259
Books and periodicals		39,077	41,150
Bad debts		-	119,624
Repairs and maintenance		264,956	285,404
Vehicle running and maintenance		1,211,130	970,934
Depreciation	(16.3)	1,603,223	831,147
Others		230,673	339,198
		<u>18,028,517</u>	<u>15,302,685</u>
28.1 Auditors' remuneration			
Statutory audit		500,000	375,000
Half yearly review		75,000	50,000
Other certifications		25,000	25,000
Out of pocket expenses		30,000	25,000
		<u>630,000</u>	<u>475,000</u>
29. OTHER OPERATING EXPENSES			
Net loss on disposal of property, plant and equipment		-	2,081,706
Advances and other receivables written off		-	883,992
Impairment loss on assets held for sale		-	1,894,940
Exchange loss		-	1,020,917
Workers' Profit Participation Fund		14,885,927	-
Workers' Welfare Fund		5,656,652	-
		<u>20,542,579</u>	<u>5,881,555</u>
30. OTHER OPERATING INCOME			
Income from financial assets	(30.1)	1,238,165	805,925
Income from assets other than financial assets	(30.2)	9,113,881	3,776,921
		<u>10,352,046</u>	<u>4,582,846</u>

		2010	2009
	Note	Rupees	Rupees
30.1 Income from financial assets:			
Return on bank deposits		272,449	295,519
Creditors written back		44,842	510,406
Exchange gain		920,874	-
		<u>1,238,165</u>	<u>805,925</u>
30.2 Income from assets other than financial assets:			
Net gain on disposal of property, plant and equipment		6,840,744	-
Sale of scrap		2,273,137	3,776,921
		<u>9,113,881</u>	<u>3,776,921</u>
31. FINANCE COST			
Interest/ mark-up on:			
Finance lease liabilities		27,658,438	34,908,566
Long term financing		29,104,302	34,019,408
Short term borrowings & morabaha finance		39,201,785	41,302,486
		95,964,525	110,230,460
Bank charges and commission		2,359,413	1,935,904
		<u>98,323,938</u>	<u>112,166,364</u>
32. TAXATION			
Charge for the year			
Current	(32.1)	11,650,639	218,195
Deferred	(32.2)	91,757,655	1,091,751
		<u>103,408,294</u>	<u>1,309,946</u>
32.1	This represents final tax on export sales under Section 169 and minimum tax under section 113 of the Income Tax Ordinance, 2001. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not meaningful in view of presumptive taxation and minimum tax.		
32.2	Deferred tax expense relates to origination and reversal of following temporary differences :		
Tax depreciation allowance		4,954,933	(3,347,906)
Leased assets		(2,414,773)	(12,319,669)
Unapproved gratuity		(1,441,090)	488,874
Unused tax losses		75,220,020	12,820,038
Finance lease arrangements		18,513,376	6,787,003
Deferred tax on incremental depreciation		(3,074,811)	(3,336,589)
		<u>91,757,655</u>	<u>1,091,751</u>
33. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
Net profit / (loss) attributable to ordinary share holders	Rupees	<u>173,767,658</u>	<u>(15,047,189)</u>
Weighted average number of shares	No.	<u>36,000,000</u>	<u>36,000,000</u>
Basic earnings / (loss) per share	Rupees	<u>4.83</u>	<u>(0.42)</u>

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
Managerial remuneration	671,146	1,916,266	2,079,999	610,133	1,869,332	1,883,555
Utilities	67,114	191,626	207,999	61,013	186,932	188,356
House rent	268,459	766,509	832,002	244,054	747,735	753,422
	1,006,719	2,874,401	3,120,000	915,200	2,803,999	2,825,333
Number of persons	1	2	4	1	2	4

----- Rupees -----

34.1 In addition, the Chief Executive Officer, two directors and four executives have been provided with the Company maintained cars.

34.2 No fee is paid to the Chief Executive Officer or any director of the Company for attending the meetings.

35. TRANSACTIONS WITH RELATED PARTIES

The related parties include directors of the Company and key management personnel. There are no transactions with key management personnel expect those in accordance with the terms of their employment.

<u>Relationship with the Company</u>	<u>Nature of transaction</u>	2010 Rupees	2009 Rupees
Directors	Long term loan received during the year	2,000,000	-
	Long term loan repaid	2,000,000	21,655,930
	Interest on loans	142,351	2,274,596

Directors and key management personnel Such transactions have been disclosed in Note 34

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

The Company's financial liabilities comprise long term financing, liabilities against assets subject to finance lease, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for Company's operations. The Company has trade debts, advances, other receivables and cash and short term bank deposits that arrive directly from its operations. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no significant transaction in foreign currency therefore, it is not exposed to currency risk.

ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price

iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2010	2009
	Rupees	Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	70,538,000	70,538,000
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	26,687,893	-
Financial liabilities		
Long term financing	143,532,500	171,057,500
Liabilities against assets subject to finance lease	116,706,104	184,971,348
Short term borrowings	48,461,201	237,380,180

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes Interest Rate	Effects on Profit Before Tax
Bank balances - deposit accounts			
	2010	+5	1,334,395
		-5	(1,334,395)
	2009	+5	-
		-5	-
Long term financing			
	2010	+1.50	(2,152,988)
		-1.50	2,152,988
	2009	+1.50	(2,565,853)
		-1.50	2,565,853
Liabilities against assets subject to finance lease			
	2010	+1.50	(1,750,592)
		-1.50	1,750,592
	2009	+1.50	(2,774,570)
		-1.50	2,774,570
Short term borrowings			
	2010	+1.50	(726,918)
		-1.50	726,918
	2009	+1.50	(3,560,703)
		-1.50	3,560,703

b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010 Rupees	2009 Rupees
Trade debts	45,371,493	23,659,303
Advances	886,097	581,441
Other receivables	120,660	7,122
Bank balances	<u>27,414,868</u>	<u>5,599,919</u>
	<u>73,793,118</u>	<u>29,847,785</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

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Banks	Rating			2010 Rupees	2009 Rupees
	Short Term	Long Term	Agency		
	A1	A	JCR - VIS	147,399	52,811
	P1	A1	Moody's	14,009	14,415
	A1+	AA	PACRA	26,714,965	1,512,225
	A-1+	AA	PACRA	5,338	1,369,380
	A1+	AA-	PACRA	71,586	71,806
	A1+	AA+	PACRA	50,177	1,618,809
	A-1+	AAA	JCR - VIS	35,654	318,551
	A1+	AAA	PACRA	31,106	31,206
	A-1+	AA+	JCR - VIS	344,634	610,717
				<u>27,414,868</u>	<u>5,599,920</u>

Trade debts

Credit risk related to trade receivables is managed by established policies, procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

The age of trade receivables at balance sheet date was:

	2010 Rupees	2009 Rupees
Not past due	-	-
Past due 0 - 180 days	45,321,754	23,615,999
Past due 180 - 365 days	6,435	36,269
1 - 2 years	36,269	7,035
More than 2 years	7,035	-
	<u>45,371,493</u>	<u>23,659,303</u>

At 30 June 2010 company has 8 customers that owed the company more than Rs. 2.000 million each and accounted for approximately 61 % of all receivables owing.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The management believes the liquidity risk to be low.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equates to their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2010			Rupees		
Long term financing	214,070,500	332,485,600	25,302,600	307,183,000	-
Liabilities against assets subject to finance lease	116,706,104	140,490,738	57,282,996	83,207,742	-
Trade and other payables	75,286,697	75,286,697	75,286,697	-	-
Short term borrowings	48,461,201	52,338,097	52,338,097	-	-
	<u>454,524,502</u>	<u>600,601,132</u>	<u>210,210,390</u>	<u>390,390,742</u>	<u>-</u>

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2009			Rupees		
Long term financing	241,595,500	335,143,060	63,636,660	271,506,400	-
Liabilities against assets subject to finance lease	184,971,348	260,984,444	85,696,767	175,287,677	-
Trade and other payables	60,272,844	60,272,844	60,272,844	-	-
Short term borrowings	242,658,885	261,649,299	261,649,299	-	-
	<u>729,498,577</u>	<u>918,049,647</u>	<u>471,255,570</u>	<u>446,794,077</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements.

36.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

36.3 Financial instruments by categories

	Cash and cash equivalents	Loans and advances	Available for sale	Assets at fair value through profit and loss	Total
As at 30 June 2010	Rupees				
Assets as per balance sheet					
Long term deposits	-	3,672,560	-	-	3,672,560
Trade debts	-	45,371,493	-	-	45,371,493
Short term advances	-	886,097	-	-	886,097
Trade deposits	-	1,467,615	-	-	1,467,615
Other receivables	-	120,660	-	-	120,660
Cash and bank balances	27,438,168	-	-	-	27,438,168
	<u>27,438,168</u>	<u>51,518,425</u>	<u>-</u>	<u>-</u>	<u>78,956,593</u>

Liabilities as per balance sheet

	Financial liabilities at amortized cost
	Rupees
Long term financing	214,070,500
Trade and other payables	75,286,697
Accrued mark-up on financing	14,524,702
Short term borrowings	48,461,201
	<u>352,343,100</u>

	Cash and cash equivalents	Loans and advances	Available for sale	Assets at fair value through profit and loss	Total
As at 30 June 2009	Rupees				
Assets as per balance sheet					
Long term deposits	-	3,682,560	-	-	3,682,560
Trade debts	-	23,659,303	-	-	23,659,303
Short term advances	-	581,441	-	-	581,441
Trade deposits	-	1,578,945	-	-	1,578,945
Other receivables	-	7,122	-	-	7,122
Cash and bank balances	5,622,808	-	-	-	5,622,808
	<u>5,622,808</u>	<u>29,509,371</u>	<u>-</u>	<u>-</u>	<u>35,132,179</u>

Liabilities as per balance sheet

	Financial liabilities at amortized cost
	Rupees
Long term financing	241,595,500
Trade and other payables	60,272,844
Accrued mark-up on financing	45,445,717
Short term borrowings	242,658,885
	<u>589,972,946</u>

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders value. The company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion), liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 7, 8 and Note 13. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at year ended 30 June 2010 and 30 June 2009 is as follows:	Note	2010 Rupees	2009 Rupees
Debt	7, 8, 13	379,237,805	663,947,028
Equity		643,908,500	380,317,950
Total capital employed		<u>1,023,146,305</u>	<u>1,044,264,978</u>
Gearing ratio		<u>37.07%</u>	<u>63.58%</u>

37. PLANT CAPACITY AND ACTUAL PRODUCTION

Spindles installed/ worked	No.	38,448	38,448
Production at normal capacity in 20/S count based on 3 shifts per day	Kgs	14,102,609	14,102,609
Actual production converted to 20/S count based on 3 shifts per day	Kgs	12,553,199	12,974,321

37.1 Reason for Low Production

Under utilization of available capacity is due to normal maintenance down time and change over in production mix.

38 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on 8 October 2010, have approved distribution at the rate of 10 percent (2009: Nil). The financial statement of the Company for the year ended 30 June 2010 do not include the effect of final distribution which will be accounted for in the financial statements of the Company for the year ended 30 June 2011.

39. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 8 October 2010.

40. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison, however no significant reclassification has been made in these financial statements.

41. GENERAL

Figures have been rounded off to the nearest rupee.

(Chief Executive Officer)

(Director)

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2010

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
4	1	100	29
37	101	500	18,167
4	501	1,000	3,334
11	1,001	5,000	22,978
3	5,001	10,000	19,938
1	10,001	15,000	11,003
1	15,001	20,000	19,300
1	20,001	25,000	22,994
1	25,001	30,000	29,100
3	30,001	35,000	100,500
2	35,001	40,000	72,000
2	40,001	45,000	89,450
1	65,001	70,000	66,000
3	70,001	75,000	214,800
4	85,001	90,000	346,000
3	140,001	145,000	428,246
1	165,001	170,000	168,350
3	285,001	290,000	863,073
1	390,001	395,000	390,624
1	425,001	430,000	426,539
1	735,001	740,000	738,350
1	750,001	755,000	751,998
1	795,001	800,000	798,800
1	815,001	820,000	820,000
1	970,001	975,000	972,791
1	1,010,001	1,015,000	1,010,600
1	1,145,001	1,150,000	1,145,793
1	1,195,001	1,200,000	1,197,363
1	1,210,001	1,215,000	1,213,896
1	1,280,001	1,285,000	1,282,798
1	1,390,001	1,395,000	1,391,975
1	2,265,001	2,270,000	2,269,560
1	2,310,001	2,315,000	2,312,920
1	2,415,001	2,420,000	2,417,822
1	3,045,001	3,050,000	3,045,023
1	4,175,001	4,180,000	4,178,465
1	7,135,001	7,140,000	7,139,421
104			36,000,000

Categoriess of Shareholders	Number	Shares Held	% Age
Individuals	90	17,459,727	48.4992
Chief Executive Officer, Director, their Spouse and Minor Children	13	18,517,279	51.4369
Bank, DFIs, NBFIs, etc.	1	22,994	0.0639
National Bank of Pakistan (NIT)	0	0	0.0000
Public Sector Companies and Corporations	0	0	0.0000
Others	0	0	0.0000
	104	36,000,000	100.0000

**CATEGORIES OF SHAREHOLDERS REQUIRED UNDER C.C.G.
AS AT 30 JUNE 2010**

Category No.	Categories of Share Holders	Number of Shares Held	Number of Share Holders	Percentage
1	Individuals	17,459,727	90	48.4992%
2	Chief Executive Officer, Director, their Spouse and Minor Children	18,517,279	13	51.4369%
	Ch. Muhammad Khurshid	1,282,798		3.5633%
	Ch. Muhammad Khurshid (CDC)	2,312,920		6.4248%
	Ch. Rahman Bakhsh	2,417,822		6.7162%
	Ch. Rahman Bakhsh (CDC)	972,791		2.7022%
	Ms. Kiran A. Chaudhry	2,269,560		6.3043%
	Ms. Kiran A. Chaudhry (CDC)	820,000		2.2778%
	Mr. Muhammad Ali Chaudhry	168,350		0.4676%
	Mrs. Salma Aziz	1,010,600		2.8072%
	Mrs. Salma Aziz (CDC)	1,391,975		3.8666%
	Mr. Azhar Khurshid Ch.	751,998		2.0889%
	Mr. Kamran Ilyas	4,178,465		11.6068%
	Mrs. Razia Sultana Begum	141,200		0.3922%
	Mrs. Razia Sultana Begum (CDC)	798,800		2.2189%
3	Banks, DFIs, NBFIs, etc.	22,994	1	0.0639%
		36,000,000	104	100.0000%
4	Others above 10% Share Holding	11,317,886	2	31.4386%



FORM OF PROXY

Folio No. _____

No. of Shares Held _____

The Company Secretary,
Resham Textile Industries Limited,
314-Upper Mall,
Lahore.

I/We _____

of _____ (full address)

Being a member of RESHAM TEXTILE INDUSTRIES LIMITED hereby appoint

(Name)

of _____ (full address)

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 21st Annual General Meeting of Share Holders of the Company to be held on Saturday, 30th October 2010 at 12.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

(Signature should agree with the specimen signature registered with the Company)

In the presence of witness :

Name _____

Signature _____

Address _____

Revenue
Stamp

IMPORTANT :

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Company's Head Office at least 48 hours before the time of holding the meeting.
2. The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its Common Seal should be affixed to the instruments.